Tourism industry

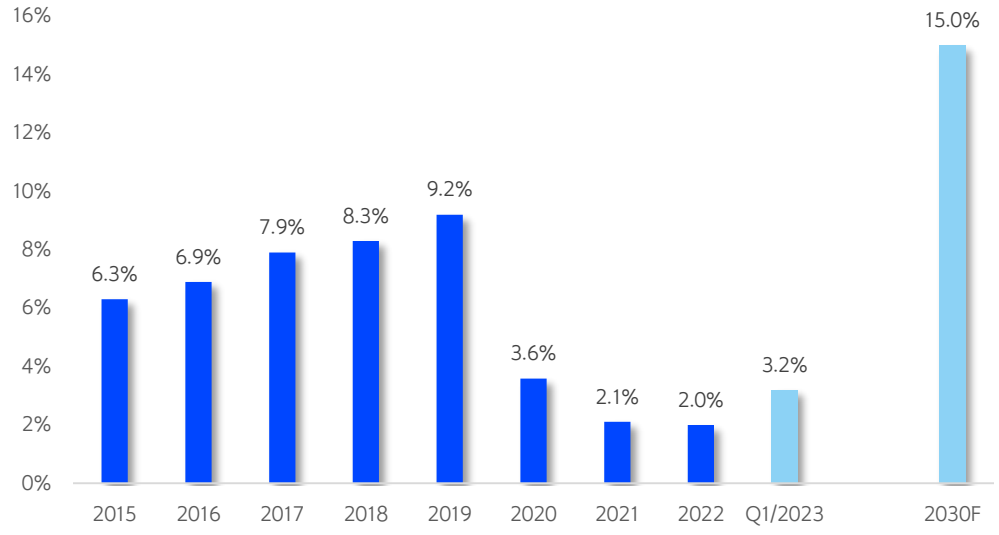
A driver of economic growth

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Tourism to become a spearhead industry

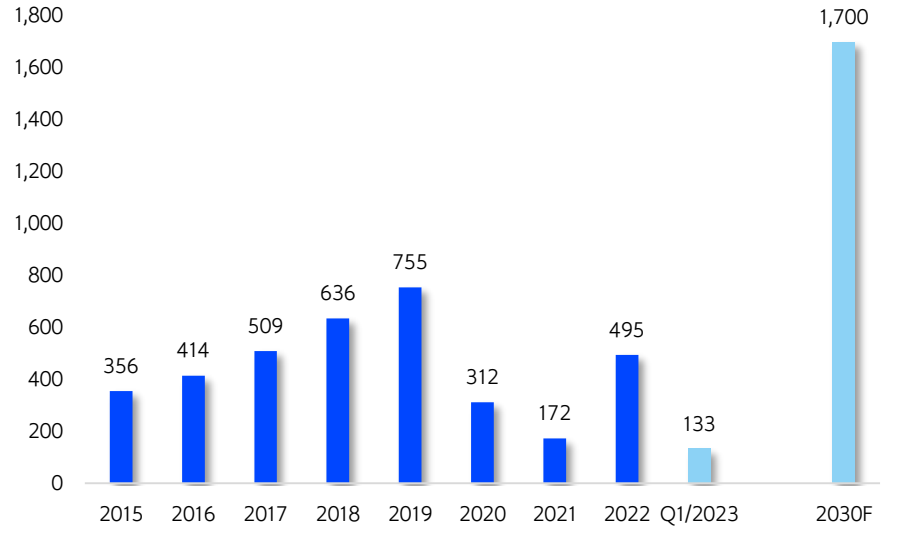
Tourism contributes significantly to the recovery of services sector and economic growth

Vietnam: direct GDP contribution of the tourism sector (%)



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

Tourism receipts of domestic and international tourism in Vietnam (trillion VND)



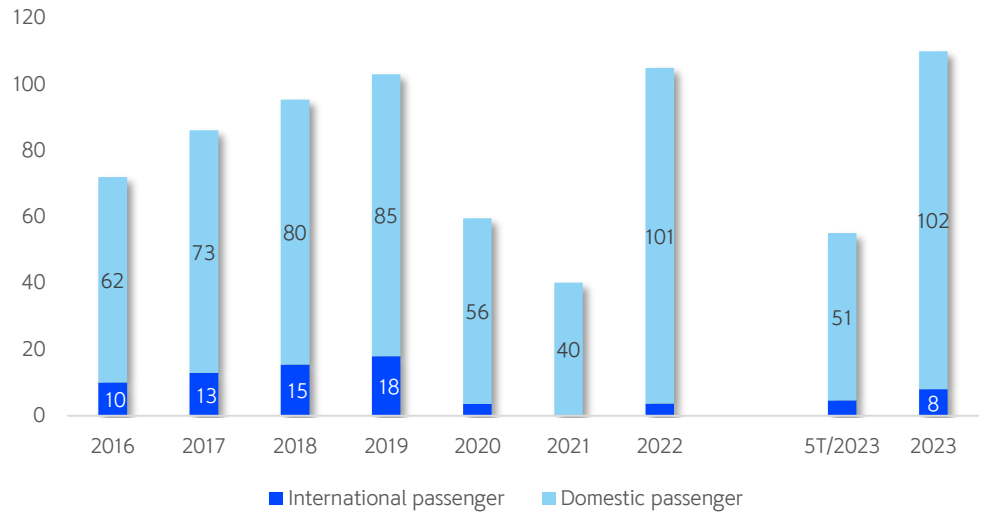
Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- Before the Covid-19 pandemic, tourism sector played a major role in economic development when contributing 9.2% to Vietnam's GDP. Tourism receipts recorded VND 755 trillion in 2019.
- By 2030, Vietnam has set a target to make tourism a spearhead and attract 47-50 million international tourists to Vietnam. The tourism sector is expected to contribute about 14-15% of the GDP, raising the proportion of the service sector in the GDP to over 50%.

The spotlight from rapid recovery in domestic tourism

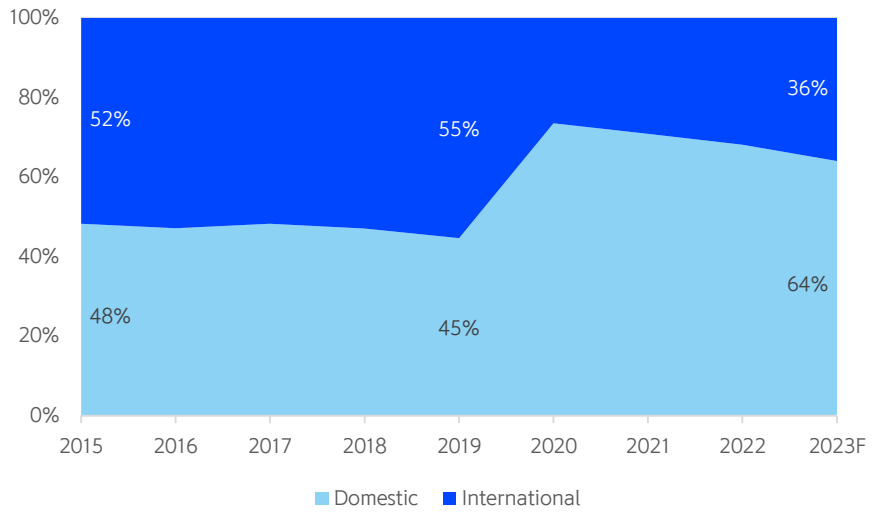
Domestic tourism continues to drive the Vietnam tourism recovery

Vietnam visitor arrivals (millions of visitors)



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

Tourist spending pre-pandemic, by type of tourist (%)



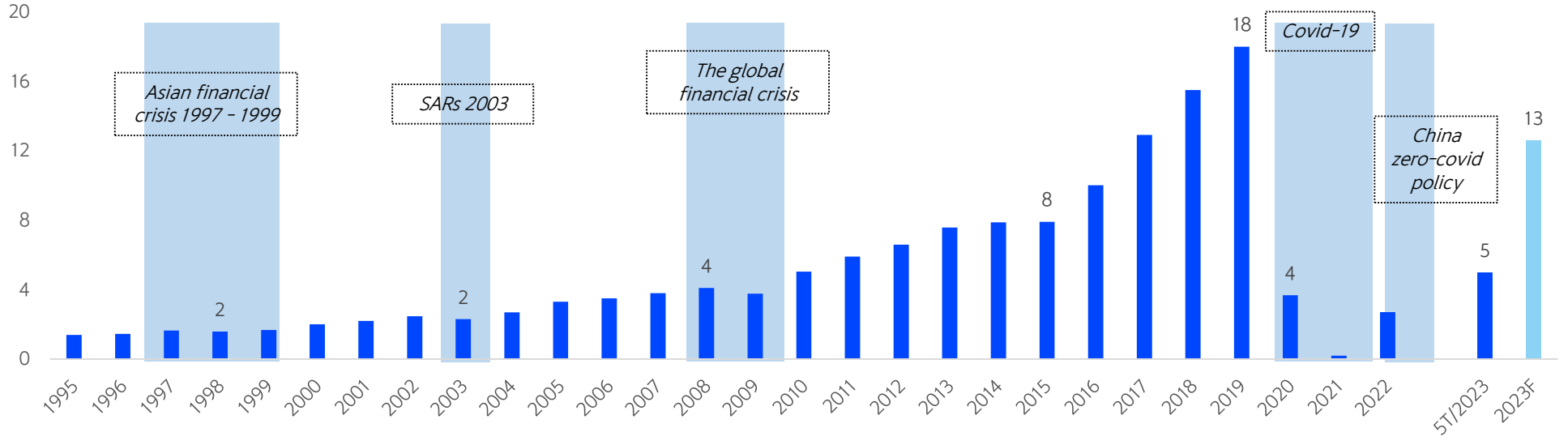
Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- In 2022, domestic tourism was strongly bouncing back, recording more than 101.3 million visitors so far this year and exceeding pre-pandemic level in 2019. Domestic tourism sees a rapid recovery, while international tourisms are still facing many difficulties.
- In 2023, Vietnam targets 110 million tourists (+9% y.o.y), including 102 million domestic tourists and 8 million international visitors (+198% y.o.y). Tourism revenue is expected to reach VND 650,000 bn (+31.3% y.o.y). The Government issued Resolution No. 82/NQ-CP on May 18 as the solutions to accelerate the recovery and boost development of the tourism industry, including: creating conditions to support tourism businesses in accessing incentive loans, VAT favorable policy, etc.

Positive signs from international visitors

International visitors significant recovery in 2023, to reach 70% of pre-pandemic data

Number of international visitor arrivals in Vietnam (million passengers)



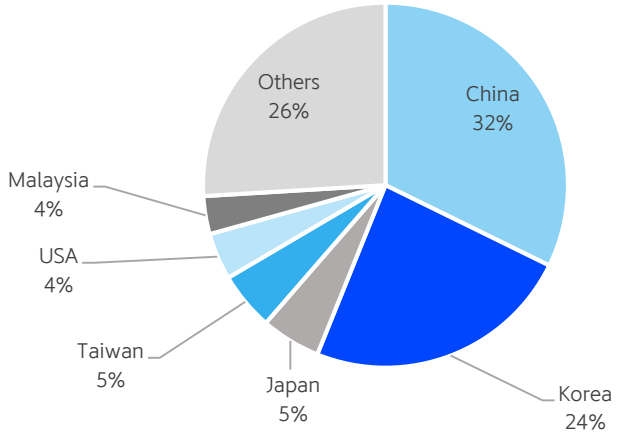
Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- In the upcoming years, we believe that the number of international visitor arrivals in Vietnam will increase sharply, thanks to the extension of the visa-free duration, the expansion of unilateral visa exemption, tourism promotion,…
- In 5M/2023, nearly 5 million foreign tourists travelled to Viet Nam, 12 times higher than the figure of last year and hitting 70% pre-pandemic 5M/2019.
- According to the Civil Aviation Authority of Vietnam (CAAV), the international arrivals in Vietnam recovery in 2023 is predicted to reach 70% of pre-pandemic level.

Positive signs from international visitors

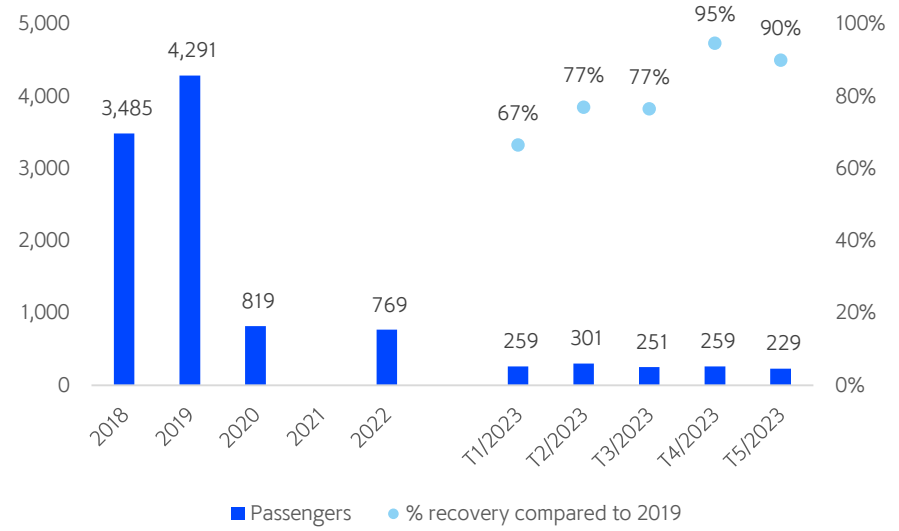
South Korean arrivals to Vietnam booming

Proportion of foreign visitors to Vietnam in 2019, by country (%)



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

Number of Korean visitor arrivals in Vietnam (thousand passengers)



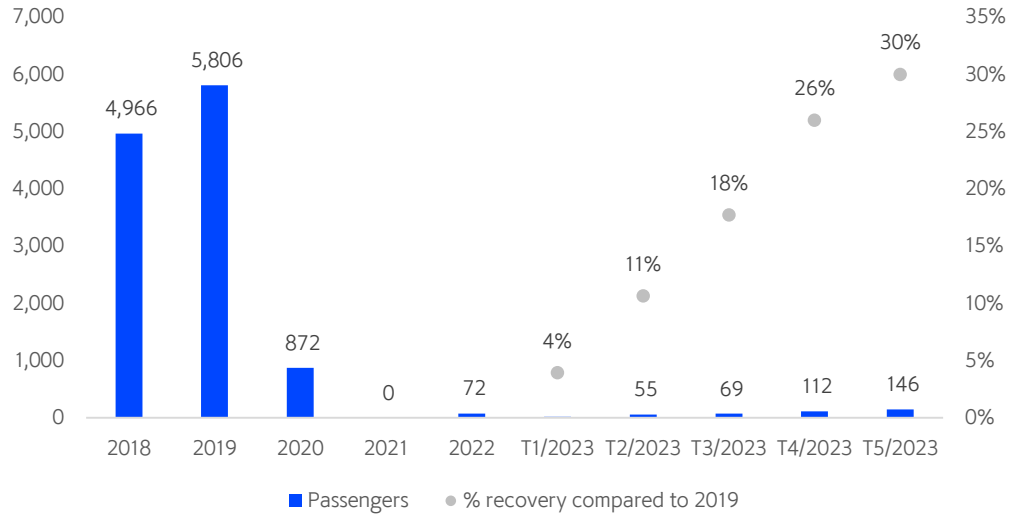
Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- Before the Covid-19 pandemic, China and South Korea remained the two largest source of visitors for Vietnam's tourism, constituting two-thirds market share of foreign visitors each year.
- In the first quarter of 2023, South Korea is the country accounting for the largest number of international visitors to Vietnam, recording 810,938 passengers. The number of Korean tourist arrivals in Vietnam in 5M/2023 hit 95% of 5M/2019.

Positive signs from international visitors

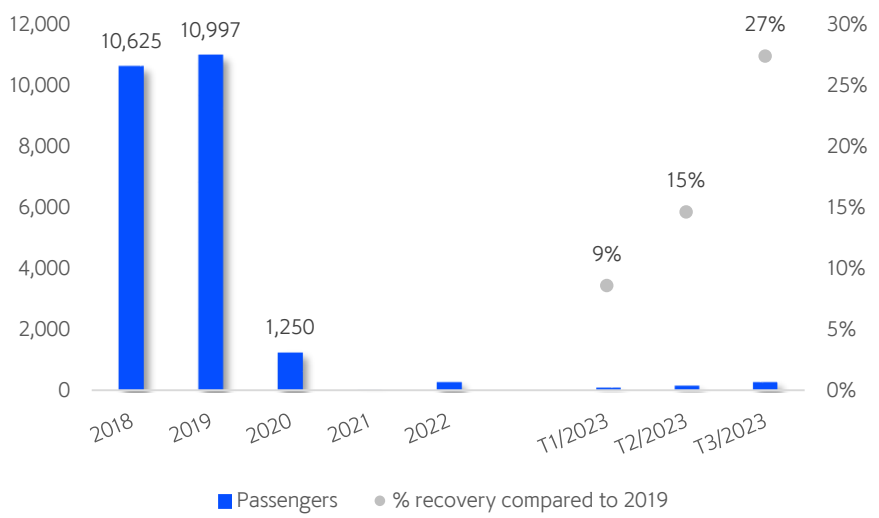
The return of Chinese travelers

Number of Chinese visitor arrivals in Vietnam (thousand passengers)



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

Number of Chinese visitor arrivals in Thailand (thousand passengers)



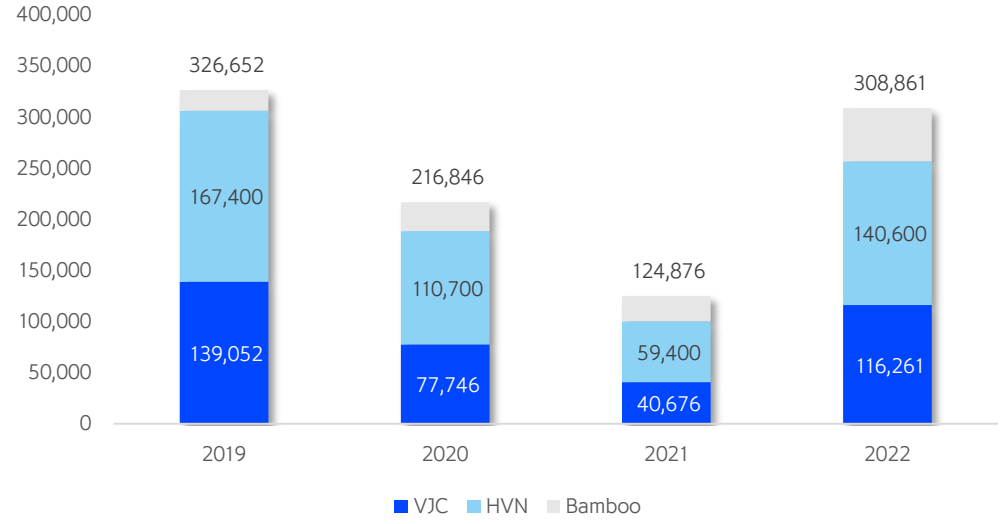
Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- Before the Covid-19 pandemic, China was Vietnam's largest source of international visitors, accounting for one-third of all foreign visitors every year. China, starting March 15, 2023, fully reopened its borders and allowed tourists back into the country after three years of pandemic closure.
- The number of Chinese tourist arrivals in Vietnam in 5M/2023 met 30% of 5M/2019 and equaled to the recovery of Thailand's tourism.

Aviation taking off with tourism industry

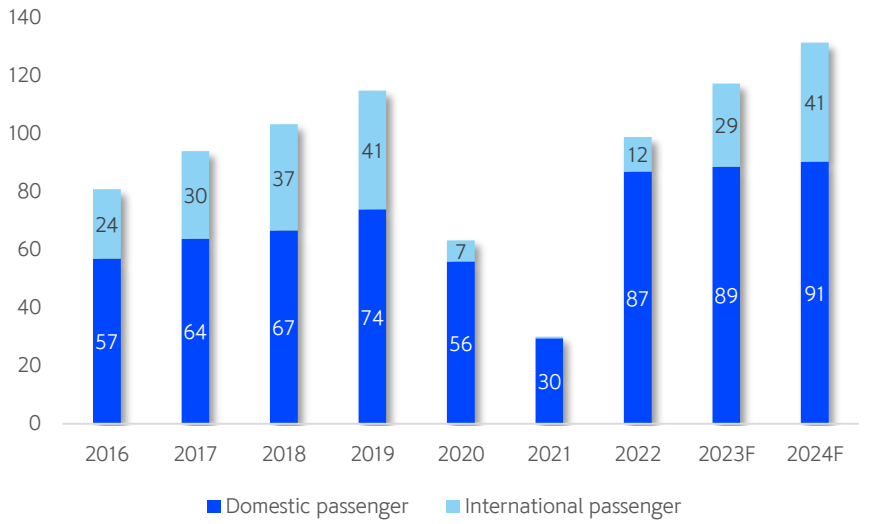
Airlines gear up in 2023 for the surge in demand of passengers

Total number of flights of aviation brands in Vietnam



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

Vietnam's airport throughput (million passengers)



Source: Vietnam National Administration of Tourism, Shinhan Securities Vietnam

- We forecast the domestic aviation market will remain flat compared to 2022 and 20% higher than 2019. The international market is expected to reach of 70% pre-pandemic levels in 2023.
- We believe that international air transport only recovers strongly from 2024 to 2025, when the Chinese visitors return and the booming of potential markets such as Korea, America, the Asian countries,…

Business results of tourism enterprises

General Info				Price			Key financial ratio			Business result		Valuation 23F		
No.	Ticker	Sector	Mkt.Cap (VND bn)	CP (VND)	TP (**) (VND)	Upside (%)	GPM Q1/2023 (%)	ROA TTM (%)	ROE TTM (%)	Revenue Q1.2023 (tỷ VND)	Revenue growth Q1.2023 (% YoY)	P/E (x)	EV/Sale (x)	EV/EBITDA (x)
1	ACV	Aviation	169,196	77,900	95,000	21.9	53.7%	13.4%	18.3%	4,744	124.2%	21.4	10.9	20.3
2	VJC (*)	Aviation	52,807	97,500	108,700	11.0	8.2%	-3.6%	-14.9%	12,897	185.2%	n/a	1.47	n/a
3	AST	Aviation	2,718	60,400	75,800	25.4	54.6%	12.5%	15.7%	263	288.8%	38.0	3.3	20.8
4	SGN	Aviation	2,481	74,000	80,000	8.1	27.3%	14.9%	19.0%	329	95.1%	14.9	2.0	8.0
5	SKG	Tourism	1,257	19,850	19,650	-1.0	26.7%	7.8%	7.9%	117	39.7%	17.4	2.6	14.6
6	VTR	Tourism	714	25,100	-	-	8.5%	11.6%	322%	1,029	377.4%	1.8	0.2	6.8
7	DSN	Tourism	689	57,100	-	-	65.8%	40.3%	50.0%	54	81.8%	5.7	2.3	4.4
8	TCT	Tourism	334	26,150	-	-	37.0%	6.7%	7.2%	32	-13.6%	13.3	5.3	33.0
9	BTV	Tourism	294	11,800	-	-	15.5%	5.3%	11.3%	139	15.5%	11.8	0.3	11.4

(*) VJC: Trailing 12M net income was VND -2,334 bn
(**) Target price (fair value) for the next 12 months
Source: Fiinpro, Shinhan Securities Vietnam
Data as of 31/05/2023

Vietjet Aviation Joint Stock Company (HOSE:VJC)

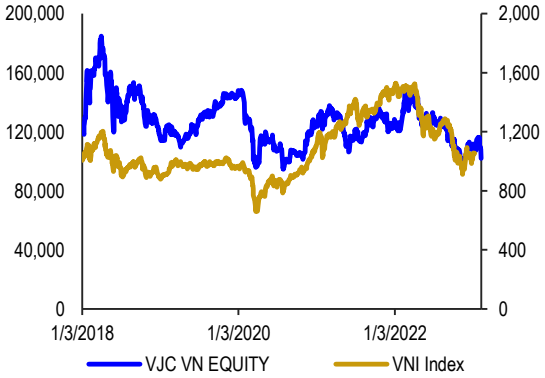
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BUY

Target price (12 months)	VND 108,700
Curren price (31/05/23)	VND 97,500
Return (%)	11.5%

VN-INDEX	1,075
HNX-INDEX	222
Market Cap (bn VND)	54,485
Outstanding shares (mn)	542
Free-Floating (mn)	51.1
52-Wk High/Low (VND)	133,200/94,000
90-day avg. trading volume (mn)	0.27
90-day avg. turnover (bn VND)	26
Shareholders (%) Sunflower Sunny	29.54
Shareholders (%) Nguyen Thi Phuong Thao	9.06

Performance	3M	6M	12M
Absolute (%)	-4.3	-9.4	-23.6
Relative to VNIndex(%)	-11.7	-10	-9.2



VJC – Pent-up demand driving recovery

Vietjet Aviation Joint Stock Company (VJC) is a leading low-cost carrier (LCC) in Vietnam. VJC launched its business in Vietnam at the end 2011 and has already become Vietnam's largest domestic airlines, accounting for one-third market share. Vietjet aims to maintain its leading position in terms of passenger volume and efficiency in Vietnam in 2023.

Investment thesis & Catalyst

- The largest LCC in Vietnam's domestic market: VJC is one of the leading domestic airlines, which focuses on the LCC model. The LCC model allows VJC to reduce the cost of air travel and make it more accessible to a wider range of passengers. Specifically, the elimination of ancillary services such as food, drinks,… has lowered the ticket price, leading to the increasing demand for air travel.
- Expand domestic and international routes to reinforce its position: In Q1/2023, VJC has launched 10 new air routes (+ 21.2% YoY), bringing the total routes to 105. In the upcoming time, we expect that VJC continues to open 10-20 new routes each year. This will reinforce competitive position and sufficient ability to attract new travelers.
- Recoverable market outlook: The aviation industry is gradually recovering after the pandemic. The company is expected to fully capture the rising tourism demand, especially when China re-opens the border after a long period of lockdown. Domestic flights are expected to be back to pre-epidemic levels in 2023. International flights will recover strongly from 2024 to 2025.

Outlook for 2023

- Thanks to the pent-up international passenger demand and strong domestic demand, we forecast VJC will continue to grow in 2023, leading to positive results. Based on the strategy of fleet expansion, we forecast VJC will conduct 9 Sale and lease back transanctions, helping the the company increase revenue.
- Risks: (1) Adversely volatile oil price, (2) Foreign exchange volatility, (3) Rising of interest rate and (4) Planning of applying IFRS 16 from 2025 could make debt ratio worse.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Core revenue (bn VND) (*)	30,159	33,077	37,070	41,424	45,312
OP (bn VND)	-2,625	1,328	1,591	3,020	3,239
Core NP (bn VND)	-1,423	1,369	2,451	3,530	4,388
EPS (VND)	-	2,527	4,525	6,518	8,101
BPS (VND)	27,470	29,997	34,521	41,040	49,140
OPM (%)	-	4.0%	4.3%	7.3%	7.1%
NPM (%)	-	4.1%	6.6%	8.5%	9.7%
ROE (%)	-	8.4%	13.1%	15.9%	16.5%
P/E (x)	-	37.7	21.1	14.6	11.8
P/B (x)	3.3	3.2	2.8	2.3	1.9
EV/EBITDA (x)	-	20.4	14.6	11.2	9.3

(*) exclude the sale and leaseback segment Source: Company data, Shinhan Securities Vietnam

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